

CITY OF WENATCHEE, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BONDS, 2007
\$4,045,000

ORDINANCE NO. 2007-42

AN ORDINANCE of the City of Wenatchee, Washington, providing for the issuance and sale of limited tax general obligation bonds of the City in the principal sum of \$4,045,000 for the purpose of providing funds to finance a portion of the City's Public Works facility, renovating City Council chambers, renovating the City Hall heating, ventilation and air conditioning system and to modernize the Convention Center, authorizing a preliminary official statement, and providing the form and terms of the bonds.

Passed: November 8, 2007

Prepared By

K&L PRESTON GATES ELLIS LLP
Seattle, Washington
(206) 623-7580

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WHEREAS, the City Council of the City of Wenatchee, Washington (the "City") has determined that it is in the best interest of the City to finance a portion of the development of a new City facility which will house the Public Works Department, the Community Development Department and the Parks and Recreation Department, renovate and modernize the City Hall Council chambers, replace the complete supply and return infrastructure for the City Hall heating, ventilation and air conditioning system, modernize the City Convention Center and other capital projects as may be approved by the City Council (the "Project"); and

WHEREAS, in order to provide funding required for the Project, the City wishes to authorize the issuance and sale of limited tax levy general obligation bonds in the principal amount of \$4,045,000 (the "Bonds"); and

WHEREAS, the City has received the offer of Banc of America Securities LLC to purchase the Bonds, and it is in the best interest of the City to accept such offer on the terms set forth therein and in this ordinance;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF WENATCHEE, WASHINGTON, DO ORDAIN AS FOLLOWS:

SECTION 1. Definitions. As used in this ordinance, the following words shall have the following meanings, unless a different meaning clearly appears from the context:

“Bond Account” means the “City of Wenatchee Limited Tax General Obligation Bond Redemption Account, 2007,” authorized to be created by Section 6 of this ordinance.

“Bond Insurance Policy” means the municipal bond insurance policy issued by the Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.

“Bond Register” means the registration records for the Bonds maintained by the Bond Registrar.

“Bond Registrar” means the fiscal agency of the State of Washington, in New York, New York, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting transfer of ownership of the Bonds and paying principal of and interest on the Bonds.

“Bonds” means the \$4,045,000 principal amount of the City of Wenatchee, Washington, Limited Tax General Obligation Bonds, 2007, issued pursuant to this ordinance.

“City” means the City of Wenatchee, Washington, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of Washington.

“Code” means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department of the Internal Revenue Service, to the extent applicable to the Bonds.

“Commission” means the Securities and Exchange Commission.

“Council” means the legislative authority of the City as the same shall be duly and regularly constituted from time to time.

“DTC” means The Depository Trust Company of New York, as depository for the Bonds, or any successor or substitute depository for the Bonds.

“Insurer” means XL Capital Assurance Inc., a stock insurance company incorporated under the laws of the State of New York, or any successor thereto or assignee thereof, as issuer of the Bond Insurance Policy.

“Letter of Representations” means the Blanket Letter of Representations from the City to DTC.

“MSRB” means the Municipal Securities Rulemaking Board or any successor to its functions.

“NRMSIR” means a nationally-recognized municipal securities information repository.

“Project” means financing a portion of the development of a new City facility which will house the Public Works Department, the Community Development Department and the Parks and Recreation Department, renovating and modernizing the City Hall Council chambers, replacing the complete supply and return infrastructure for the City Hall heating, ventilation and air conditioning system, modernizing the City Convention Center and other capital projects as may be approved by the City Council.

“Registered Owner” means the person in whose name a Bond is registered on the Bond Register. For so long as the City utilizes the book-entry system for the Bonds, DTC shall be deemed to be the Registered Owner.

“Rule” means the Commission’s Rule 15c2-12 under the Securities Exchange Act of 1934.

“SID” means a state information repository for the State of Washington (if one is created).

“Underwriter” means Banc of America Securities LLC

SECTION 2. Findings and Authorization of Project. The Council hereby finds that it is in the public interest for the City to provide funding for the Project. A portion of the cost of the Project will be financed from the proceeds of sale of the Bonds. If the Council shall determine that it has become impractical to accomplish the Project, or any portion thereof, by reason of changed conditions, the City shall not be required to accomplish such Project, or portion thereof. If all of the Project has been acquired or constructed or duly provided for, or found to be unfeasible, the Council may apply the Bond proceeds or any portion thereof to the redemption of the Bonds or to other capital purposes as the Council, in its discretion, shall determine.

SECTION 3. Authorization of Bonds. The City shall issue and sell the Bonds in the aggregate principal amount of \$4,045,000 to provide money to finance costs of the Project and to pay costs of issuance of the Bonds. The Bonds shall be general obligations of the City; shall be designated “City of Wenatchee, Washington, Limited Tax General Obligation Bonds, 2007”; shall be dated as of their date of delivery; shall be issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof, provided that no Bond shall represent more than one maturity; shall be numbered separately and in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification and control; shall bear interest (calculated based on a 360-day year of 12 30-day months) at the rates set forth below from their date, until the Bonds have been paid or their payment duly provided for, payable on June 1, 2008, and semiannually thereafter on the first day of each December and June and shall mature on December 1 of each year as follows:

<u>Maturity Year (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rates</u>
2008	\$ 145,000	4.00%
2009	150,000	4.00

Maturity Year (December 1)	Principal Amount	Interest Rates
2010	\$ 160,000	4.00%
2011	170,000	4.00
2012	175,000	4.00
2013	185,000	4.00
2014	190,000	4.00
2015	195,000	4.00
2016	205,000	4.00
2017	215,000	4.00
2018	230,000	4.00
2019	235,000	4.00
2020	240,000	4.00
2021	250,000	4.125
2024	650,000	4.20
2027	650,000	4.30

SECTION 4. Registration, Exchange and Payments.

(a) *Bond Registrar/Bond Register.* The City hereby adopts the system of registration approved by the Washington State Finance Committee, which utilizes the fiscal agency of the State of Washington in New York, New York, as registrar, authenticating agent, paying agent and transfer agent (collectively, the “Bond Registrar”). The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient records for the registration and transfer of the Bonds (the “Bond Register”), which shall be open to inspection by the City. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this ordinance and to carry out all of the Bond Registrar’s powers and duties under this ordinance. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bonds.

(b) *Registered Ownership.* The City and the Bond Registrar may deem and treat the Registered Owner of each Bond as the absolute owner for all purposes, and neither the

City nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 4(h) hereof, but such registration may be transferred as herein provided. All such payments made as described in Section 4(h) shall be valid and shall satisfy the liability of the City upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letter of Representations.* The Bonds shall initially be held in fully immobilized form by DTC acting as depository. To induce DTC to accept the Bonds as eligible for deposit at DTC, the City has heretofore executed and delivered to DTC a Blanket Issuer Letter of Representations (the "Letter of Representations").

Neither the City nor the Bond Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Bonds for the accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice that is permitted or required to be given to Registered Owners under this ordinance (except such notices as shall be required to be given by the City to the Bond Registrar or to DTC), the selection by DTC or any DTC participant of any person to receive payment in the event of a partial redemption of the Bonds, or any consent given or other action taken by DTC as the Registered Owner. For so long as any Bonds are held in fully immobilized form hereunder, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes, and all references in this ordinance to the Registered Owners shall mean DTC or its nominee and shall not mean the owners of any beneficial interest in any Bonds.

(d) *Use of Depository.*

(i) The Bonds shall be registered initially in the name of CEDE & Co., as nominee of DTC, with a single Bond for each maturity in a denomination equal to the total principal amount of such maturity. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the City pursuant to subsection (ii) below or such substitute depository's successor; or (C) to any person as provided in subsection (iv) below.

(ii) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the City to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the City may appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(iii) In the case of any transfer pursuant to clause (A) or (B) of subsection (i) above, the Bond Registrar shall, upon receipt of all outstanding Bonds, together with a written request on behalf of the City, issue a single new Bond for each maturity then outstanding, registered in the name of such successor or substitute depository, or its nominee, all as specified in such written request of the City.

(iv) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the City determines that it is in the best interest of the beneficial owners of the

Bonds that the Bonds be provided in certificated form, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held in fully immobilized form. The City shall deliver a written request to the Bond Registrar, together with a supply of definitive Bonds in certificated form, to issue Bonds in any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Bonds, together with a written request on behalf of the City to the Bond Registrar, new Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are provided in such written request.

(e) *Transfer or Exchange of Registered Ownership; Change in Denominations.* The registered ownership of any Bond may be transferred or exchanged, but no transfer of any Bond shall be valid unless it is surrendered to the Bond Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and canceled Bond. Any Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to transfer or exchange any Bond during a period beginning at the opening of business on the 15th day of the month next preceding any interest payment date

and ending at the close of business on such interest payment date, or, in the case of any proposed redemption of the Bonds, after the mailing of notice of the call of such Bonds for redemption.

(f) *Bond Registrar's Ownership of Bonds.* The Bond Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the Bond Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as member of, or in any other capacity with respect to, any committee formed to protect the rights of the Registered Owners of the Bonds.

(g) *Registration Covenant.* The City covenants that, until all Bonds have been surrendered and canceled, it will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code.

(h) *Place and Medium of Payment.* Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. For so long as all Bonds are in fully immobilized form, payments of principal and interest shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date, and principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Bond Registrar.

SECTION 5. Redemption and Purchases.

(a) *Optional Redemption.* The Bonds maturing on December 1 in the years 2008 through 2017 are not subject to redemption prior to their stated maturities. The City hereby reserves the right to redeem the outstanding Bonds maturing on and after December 1, 2018 in

whole or in part (maturities to be selected by the City and randomly within a maturity in such manner as DTC or the Bond Registrar, as appropriate, shall determine) on December 1, 2017, and on any date thereafter, at par, plus accrued interest to the date of redemption.

(b) *Mandatory Redemption.* The Bonds maturing on December 1, 2024 and December 1, 2027 (which shall be deemed to be Term Bonds), shall be redeemed prior to maturity randomly (or paid at maturity), not later than December 1 in the following years (to the extent such Bonds have not been previously redeemed or purchased) and in the principal amounts set forth below, without premium, together with the interest accrued to the date fixed for redemption.

2024 Term Bonds

Year	Amount
2022	\$ 260,000
2023	190,000
2024*	200,000

* Maturity

2027 Term Bonds

Year	Amount
2025	\$ 210,000
2026	215,000
2027*	225,000

* Final maturity

(c) *Partial Redemption.* If less than all of the principal amount of any Bond is redeemed, upon surrender of such Bond at the principal office of the Bond Registrar, there shall be issued to the Registered Owner, without charge, for the then unredeemed balance of the principal amount, a new Bond or Bonds, at the option of the Registered Owner, of like maturity and interest rate in any authorized denomination.

(d) *Notice of Redemption.* Written notice of any redemption of Bonds shall be given by the Bond Registrar on behalf of the City by first class mail, postage prepaid, not less than 30 days nor more than 60 days before the redemption date to the Registered Owners of Bonds that are to be redeemed at their last addresses shown on the Bond Register. So long as the Bonds are in book-entry form, notice of redemption shall be given as provided in the Letter of Representations.

The requirements of this section shall be deemed complied with when notice is mailed, whether or not it is actually received by the owner.

Each notice of redemption shall contain the following information: (1) the redemption date, (2) the redemption price, (3) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the Bonds to be redeemed, (4) that on the redemption date the redemption price will become due and payable upon each Bond or portion called for redemption, and that interest shall cease to accrue from the redemption date, (5) that the Bonds are to be surrendered for payment at the principal office of the Bond Registrar, (6) the CUSIP numbers of all Bonds being redeemed, (7) the dated date of the Bonds, (8) the rate of interest for each Bond being redeemed, (9) the date of the notice, and (10) any other information needed to identify the Bonds being redeemed.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(e) *Effect of Redemption.* Unless the City has revoked a notice of redemption, the City shall transfer to the Bond Registrar amounts that, in addition to other money, if any, held

by the Bond Registrar, will be sufficient to redeem, on the redemption date, all the Bonds to be redeemed. From the redemption date interest on each Bond to be redeemed shall cease to accrue.

(f) *Amendment of Notice Provisions.* The foregoing notice provisions of this section, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

(g) *Purchase on Open Market.* The City reserves the right to purchase any of the Bonds in the open market at any time and at any price.

SECTION 6. Creation of Bond Account and Provision for Tax Levy Payments. A special account of the City known as the “City of Wenatchee Limited Tax General Obligation Bond Redemption Account, 2007” (the “Bond Account”), is hereby authorized to be created. The Bond Account shall be drawn upon for the sole purpose of paying the principal of and interest on the Bonds.

The City hereby irrevocably covenants for as long as any of the Bonds are outstanding and unpaid that each year it will include in its budget and pay into the Bond Account (on or before the date due) an amount which will be sufficient to pay the principal of and interest on the Bonds as the same shall become due. None of the money in the Bond Account shall be used for any other purpose than the payment of the principal of and interest on the Bonds. Money in the Bond Account not needed to pay the interest or principal next coming due may temporarily be deposited in such institutions or invested in such obligations as may be lawful for the investment of City money. Any interest or profit from the investment of such money shall be deposited in the Bond Account.

The City hereby irrevocably pledges that, to the extent it does not have other sufficient funds to repay the Bonds, it will levy an ad valorem tax upon all the property within the City subject to taxation, within and as a part of the tax millage levy permitted to cities without a vote of the people, in an amount sufficient to repay the Bonds. A sufficient portion of each annual levy to be levied and collected by the City prior to the full payment of the principal of and interest on the Bonds will be and is hereby irrevocably set aside, pledged and appropriated for the payment of the principal of and interest on the Bonds. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of the principal of and interest on the Bonds as the same shall become due.

SECTION 7. Bonds Deemed To Be No Longer Outstanding. In the event that the City, in order to effect the payment, retirement or redemption of any Bond, sets aside in the Bond Account or in another special account, held in trust by a trustee, cash or noncallable government obligations, as such obligations are now or hereafter be defined in RCW 39.53, or any combination of cash and/or noncallable government obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable government obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Account for the payment of the principal of and interest on such Bond. The owner of a Bond so provided for shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive payment of principal, premium, if any, and interest from such special account, and such Bond shall be deemed to be not outstanding under this ordinance.

SECTION 8. Tax Covenant; Special Designation. The City shall comply with the provisions of this section unless, in the written opinion of Bond Counsel to the City, such compliance is not required in order to maintain the exemption of the interest on the Bonds from federal income taxation.

The City hereby covenants that it will not make any use of the proceeds of sale of the Bonds or any other funds of the City which may be deemed to be proceeds of such Bonds pursuant to Section 148 of the Code and the applicable regulations thereunder that will cause the Bonds to be "arbitrage bonds" within the meaning of said section and said regulations. The City will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Bonds) and the applicable regulations thereunder throughout the term of the Bonds.

The City further covenants that it will not take any action or permit any action to be taken that would cause the Bonds to constitute "private activity bonds" under Section 141 of the Code.

The City will pay any rebate amount to the United States of America at the times and in the amounts necessary to meet the requirements of the Code to maintain the federal income tax exemption of the interest payments on the Bonds, in accordance with the Federal Tax Certificate.

The City hereby designates the Bonds as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code for banks, thrift institutions and other financial institutions. The City does not anticipate that it will issue more than \$10,000,000 of qualified tax-exempt obligations during 2007.

SECTION 9. Lost or Destroyed Bonds. If any Bonds are lost, stolen or destroyed, the Bond Registrar may authenticate and deliver a new Bond or Bonds of like amount, maturity and tenor to the Registered Owner upon the owner paying the expenses and charges of the Bond

Registrar and the City in connection with preparation and authentication of the replacement Bond or Bonds and upon his or her filing with the Bond Registrar and the City evidence satisfactory to both that such Bond or Bonds were actually lost, stolen or destroyed and of his or her ownership, and upon furnishing the City and the Bond Registrar with indemnity satisfactory to both.

SECTION 10. Form of the Bonds. The Bonds shall be in substantially the following form:

XL Capital Assurance Inc. ("XLCA"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal and interest on this Bond to the Fiscal Agency of the State of Washington in New York, New York, or its successor, as paying agent (the "Paying Agent") for the CITY OF WENATCHEE, WASHINGTON \$4,045,000 LIMITED TAX GENERAL OBLIGATION BONDS, 2007. **Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from XLCA or the Paying Agent.**

UNITED STATES OF AMERICA

NO. _____ \$ _____

STATE OF WASHINGTON
CITY OF WENATCHEE
LIMITED TAX GENERAL OBLIGATION BOND, 2007

INTEREST RATE: _____ MATURITY DATE: _____ CUSIP NO: _____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The City of Wenatchee, Washington, a municipal corporation organized and existing under the laws and Constitution of the State of Washington (the "City"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount specified above, unless redeemed prior thereto as provided herein, together with interest on such Principal Amount from the date hereof or the most recent date to which interest has been paid or duly provided for at the Interest Rate set forth above payable June 1, 2008, and semiannually thereafter on each December 1 and June 1 until payment of the principal sum has been made or duly provided for. Both principal of and interest on this bond are payable in lawful money of the

United States of America. For so long as the Bonds are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Blanket Issuer Letter of Representations from the City to The Depository Trust Company. In the event that the Bonds are no longer held in fully immobilized form, interest on this bond shall be paid by check or draft mailed to the Registered Owner at the address appearing on the Bond Register on the 15th day of the month preceding the interest payment date, and principal of this bond shall be payable upon presentation and surrender of this bond by the Registered Owner at the principal office of the fiscal agency of the State of Washington in New York, New York (the "Bond Registrar").

This bond is one of an issue of limited tax general obligation bonds of the City of like date and tenor, except as to number, interest rate and date of maturity, in the aggregate principal amount of \$4,045,000 (the "Bonds"), issued pursuant to Ordinance No. 2007-42 of the City, passed on November 8, 2007 (the "Bond Ordinance"), to provide financing for capital improvements.

The Bonds are subject to optional and mandatory redemption as provided in the Bond Ordinance.

The City has designated the Bonds as "qualified tax-exempt obligations" for purchase by financial institutions.

The City has irrevocably covenanted with the owner of this bond that it will annually include in its budget and levy taxes, within and as a part of the tax levy permitted to cities without a vote of the electorate, upon all the property subject to taxation in amounts sufficient, together with other money legally available therefor, to pay the principal of and interest on this bond as the same shall become due. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest.

The pledge of tax levies for payment of principal of and interest on the Bonds may be discharged prior to maturity of the Bonds by making provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

The Bonds are issued in fully registered form in the denomination of \$5,000 each or any integral multiple thereof, provided that no bond shall represent more than one maturity. Upon surrender to the Bond Registrar, Bonds are interchangeable for bonds in any authorized denomination of an equal aggregate principal amount and of the same interest rate and maturity. This bond is transferable only on the records maintained by the Bond Registrar for that purpose upon the surrender of this bond by the registered owner hereof or his/her duly authorized agent and only if endorsed in the manner provided hereon, and thereupon a new fully registered bond of like principal amount, maturity and interest rate shall be issued to the transferee in exchange therefor. Such exchange or transfer shall be without cost to the registered owner or transferee. The City may deem the person in whose name this bond is registered to be the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this bond and for any and all other purposes whatsoever.

Reference is made to the Bond Ordinance as more fully describing the covenants with and the rights of Registered Owners of the Bonds or registered assigns and the meanings of capitalized terms appearing on this bond that are defined in such ordinance.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon shall have been manually signed by the Bond Registrar.

It is hereby certified and declared that this bond is issued pursuant to and in strict compliance with the Constitution and laws of the State of Washington and ordinances of the City, that all acts, conditions and things required to be done precedent to and in the issuance of this bond and the Bonds have happened, been done and performed, and that this bond and the Bonds do not exceed any constitutional or statutory limitations.

IN WITNESS WHEREOF, the City of Wenatchee, Washington, has caused this bond to be signed on behalf of the City with the manual or facsimile signature of the Mayor and to be attested by the manual or facsimile signature of the City Clerk, as of this 21st day of November, 2007.

CITY OF WENATCHEE, WASHINGTON

By _____
Mayor

ATTEST:

Wicki Reister
City Clerk

The Certificate of Authentication for the Bonds shall be in substantially the following form and shall appear on each Bond:

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This bond is one of the City of Wenatchee, Washington, Limited Tax General Obligation Bonds, 2007, dated November 21, 2007.

WASHINGTON STATE FISCAL
AGENCY, as Bond Registrar

By _____
Authorized Signer

SECTION 11. Execution of the Bonds. The Bonds shall be executed on behalf of the City with the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the City Clerk. In case either or both of the officers who have signed or attested any of the Bonds cease to be such officer before such Bonds have been actually issued and delivered, such Bonds shall be valid nevertheless and may be issued by the City with the same effect as though the persons who had signed or attested such Bonds had not ceased to be such officers, and any Bond may be signed or attested on behalf of the City by officers who at the date of actual execution of such Bond are the proper officers, although at the nominal date of execution of such Bond such officer was not an officer of the City.

Only Bonds that bear a Certificate of Authentication in the form set forth in Section 10, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered and are entitled to the benefits of this ordinance.

In case either of the officers of the City who shall have executed the Bonds shall cease to be such officer or officers of the City before the Bonds so signed shall have been authenticated or delivered by the Bond Registrar, or issued by the City, such Bonds may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the City as though those who signed the same had continued to be such officers of the City. Any Bond may also be signed and attested on behalf of the City by such persons as at the actual date of execution of such Bond shall be the proper officers of the City although at the original date of such Bond any such person shall not have been such officer.

SECTION 12. Application of Proceeds of Bonds. At the time of delivery of the Bonds, the proceeds of the Bonds shall be deposited into the 2007 Bond Proceeds Account ("Proceeds Account"), which is hereby authorized to be created, and used to pay or reimburse the costs of the Project described in Section 2 and all costs incidental thereto and to the issuance of the Bonds.

Money remaining in the Proceeds Account after all of such costs have been paid or reimbursed may be used to pay costs of other legally authorized capital expenditures of the City or shall be deposited in the Bond Account. Money in the Proceeds Account may be invested as permitted by law. All interest earned and profits derived from such investments shall be retained in and become a part of the Proceeds Account or deposited into the Bond Account.

SECTION 13. Sale of the Bonds. The Council finds that the purchase contract of the Underwriter that has been distributed to the Council is reasonable and that it is in the best interest of the City that the Bonds shall be sold upon the conditions set forth in the purchase contract. The City accepts the purchase contract and authorizes the Mayor, Executive Services Director or Finance Director to execute the purchase contract and deliver it to the Underwriter. The Bonds shall be issued and delivered to the Underwriter upon payment of the purchase price specified in the purchase contract.

SECTION 14. Official Statement. The City approves the preliminary official statement presented to the Council and ratifies the Underwriter's distribution of the preliminary official statement in connection with the offering of the Bonds. The City authorizes the Underwriter to use the official statement, substantially in the form of the preliminary official statement, in connection with the sale of the Bonds. The Mayor, Executive Services Director and the Finance Director are hereby authorized to review and approve on behalf of the City the final Official

Statement relative to the Bonds with such additions and changes as may be deemed necessary or advisable to them. The Council hereby deems the Preliminary Official Statement prepared in connection with the sale of the Bonds as final, pursuant to the Rule, except for the omission of information dependent upon the pricing of the Bonds and the completion of the underwriting agreement.

SECTION 15. Undertaking to Provide Ongoing Disclosure.

(a) *Contract/Undertaking.* This section constitutes the City's written undertaking for the benefit of the owners of the Bonds as required by Section (b)(5) of the Rule.

(b) *Financial Statements/Operating Data.* The City agrees to provide or cause to be provided to each NRMSIR and to the SID, if any, in each case as designated by the Commission in accordance with the Rule, the following annual financial information and operating data for the prior fiscal year (commencing in 2008 for the fiscal year ended December 31, 2007):

1. Annual financial statements, which statements may or may not be audited, showing ending fund balances for the City's general fund prepared in accordance with the Budget Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute);
2. The assessed valuation of taxable property in the City;
3. Property taxes due, property taxes collected and property taxes delinquent;
4. Property tax levy rates per \$1,000 of assessed valuation; and
5. Outstanding general obligation debt of the City.

Items 2-5 shall be required only to the extent that such information is not included in the annual financial statements.

The information and data described above shall be provided on or before nine months after the end of the City's fiscal year. The City's current fiscal year ends December 31. The City may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing NRMSIR and the SID, if any. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents provided to the NRMSIR's, the SID or to the Commission and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

If not provided as part of the annual financial information discussed above, the City shall provide the City's audited annual financial statement prepared in accordance with the Budget Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statutes), when and if available, to each then existing NRMSIR and the SID, if any.

(c) *Material Events.* The City agrees to provide or cause to be provided, in a timely manner, to the SID, if any, and to each NRMSIR or to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, if material:

- Principal and interest payment delinquencies;
- Non-payment related defaults;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;

- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- Modifications to the rights of Bond owners;
- Bond calls (optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-238560);
- Defeasances;
- Release, substitution or sale of property, securing repayment of the Bonds; and
- Rating changes.

Solely for purposes of disclosure, and not intending to modify this undertaking, the City advises that no property or debt service reserves secure payment of the Bonds.

(d) *Notification Upon Failure to Provide Financial Data.* The City agrees to provide or cause to be provided, in a timely manner, to each NRMSIR or to the MSRB and to the SID, if any, notice of its failure to provide the annual financial information described in subsection (b) above on or prior to the date set forth in subsection (b) above.

(e) *Termination/Modification.* The City's obligations to provide annual financial information and notices of material events shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. Any provision of that section shall be null and void if the City (1) obtains an opinion of nationally recognized bond counsel to the effect that the portion of the Rule that requires that provision is invalid, has been repealed retroactively or

otherwise does not apply to the Bonds; and (2) notifies each NRMSIR and the SID, if any, of such opinion and the cancellation of this section. The City may amend this section with an approving opinion of nationally recognized bond counsel.

In the event of any amendment of this section, the City shall describe such amendment in the next annual report, and shall include a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (I) notice of such change shall be given in the same manner as for a material event under subsection (c), and (II) the annual report for the year in which the change is made shall present a comparison (in narrative form and also, if practical, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(f) *Bond Owner's Remedies Under This Section.* The right of any bondowner or beneficial owner of Bonds to enforce the provisions of this section shall be limited to a right to obtain specific enforcement of the City's obligations under this section, and any failure by the City to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds. For purposes of this section, "beneficial owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

(h) *No Default.* The City is not and has not been in default in the performance of its obligations of any prior undertaking for ongoing disclosure with respect to its bond obligations.

SECTION 16. Bond Insurance.

(a) *Acceptance of Insurance.* In accordance with the offer of the Underwriter to purchase the Bonds, the Council hereby approves the commitment of the Insurer to provide a bond insurance policy guaranteeing the payment when due of principal of and interest on the Bonds (the "Bond Insurance Policy"). The Council further authorizes and directs all proper officers, agents, attorneys and employees of the City to cooperate with the Insurer in preparing such additional agreements, certificates, and other documentation on behalf of the City as shall be necessary or advisable in providing for the Bond Insurance Policy.

(b) *Payments Under the Bond Insurance Policy.* As long as the Bond Insurance Policy is in full force and effect, the City and the Bond Registrar shall comply with the following provisions:

1. If, on the third business day preceding a scheduled interest payment date or principal payment date ("Payment Date"), there is not on deposit with the Bond Registrar, after making all transfers and deposits required under this ordinance, money sufficient to pay the principal of and interest on the Bonds due on such Payment Date, the City or the Bond Registrar shall give notice to the Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent"), by telephone or telecopy, of the amount of such deficiency by 10:00 a.m., New York City time, on such business day. If, on the business day prior to the Payment Date, there is not on deposit with the Bond Registrar money sufficient to pay the principal of, and interest on, the Bonds due on such Payment Date, the Bond Registrar shall make a claim under the Insurance Policy and give notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of any deficiency in the amount available to pay principal and interest, and the allocation of such deficiency between the amount required to pay interest on the Bonds and the amount

required to pay principal of the Bonds, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 10:00 a.m., New York City time, on such business day, by delivering the Notice of Nonpayment and Certificate.

For the purposes of the preceding paragraph, "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from the City or Bond Registrar to the Insurer, which notice shall specify (a) the name of the entity making the claim, (b) the policy number, (c) the claimed amount and (d) the date such claimed amount will become Due for Payment. "Nonpayment" means the failure of the City to have provided sufficient funds to the Bond Registrar for payment in full of all principal of, and interest on, the Bonds that are Due for Payment. "Due for Payment," when referring to the principal of insured bonds, means when the stated maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments or other advancement of maturity, unless the Insurer shall elect, in its sole discretion, to pay such principal); and when referring to interest on Bonds, means when the stated date for payment of interest has been reached. "Certificate" means a certificate in form and substance satisfactory to the Insurer as to the Bond Registrar's right to receive payment under the Insurance Policy.

2. The Bond Registrar shall designate any portion of payment of principal on Bonds paid by the Insurer at maturity on its books as a reduction in the principal amount of Bonds registered to the then current Registered Owner, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Insurer, registered in the name of the Insurer, as the case may be, in a principal amount equal to the amount of principal so paid

(without regard to authorized denominations); provided, however, that the Bond Registrar's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the City on any Bond or the subrogation rights of the Insurer.

3. The Bond Registrar shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (as hereinafter defined) and the allocation of such funds to payment of interest on and principal paid with respect to any Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Bond Registrar.

4. Upon payment of a claim under the Bond Insurance Policy, the Bond Registrar shall establish a separate special purpose trust account for the benefit of owners of Bonds referred to herein as the "Policy Payments Account" and over which the Bond Registrar shall have exclusive control and sole right of withdrawal. The Bond Registrar shall receive any amount paid under the Bond Insurance Policy in trust on behalf of owners of Bonds and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Bond Registrar to owners of Bonds in the same manner as principal and interest payments are to be made with respect to the Bonds under Section 6 hereof. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Funds held in the Policy Payments Account shall not be invested by the Bond Registrar and may not be applied to satisfy any costs, expenses or liabilities of the Bond Registrar. Any funds remaining

in the Policy Payments Account following an insured Bond payment date shall promptly be remitted to the Insurer.

(c) Provisions Relating to Bond Insurance Policy. As long as the Bond Insurance Policy is in full force and effect, the City shall comply with the following provisions:

1. *Notice to the Insurer.* Any notices required to be given by the City shall also be given to the Insurer, Attn: Surveillance.

2. *Amendments.* Prior written consent of the Insurer is required for any amendment to this ordinance. The City shall give the Insurer notice of any such proposed amendment. A copy of any amendment to this ordinance that is consented to by the Insurer shall be sent to Standard & Poor's Rating Services, a Division of The McGraw-Hill Companies, Inc.

3. *Remedies.* The Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to owners of the Bonds. The Insurer shall be recognized as the owner of each Bond for the purposes of exercising all rights and privileges available to owners of the Bonds. The Insurer shall have the right to institute any suit, action, or proceeding at law or in equity under the same terms as an owner of the Bonds.

4. *The Insurer as Third Party Beneficiary.* The Insurer shall be a third-party beneficiary under this ordinance.

5. *Subrogation.* If principal and/or interest due on the Bonds is paid by the Insurer, such Bonds shall remain outstanding under this ordinance for all purposes, and shall not be deemed defeased or otherwise satisfied, or paid by the City, and the pledge of taxes and all covenants, agreements and other obligations of the City to the owners of the Bonds shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such owners.

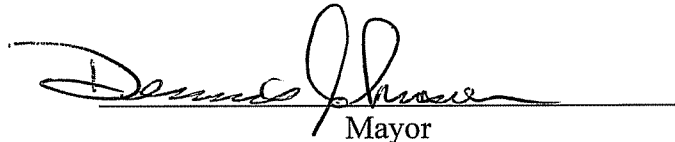
SECTION 17. General Authorization; Ratification of Prior Acts. The Mayor, Finance Director and City Administrator and other appropriate officers of the City are authorized to take any actions and to execute documents as in their judgment may be necessary or desirable in order to carry out the terms of, and complete the transactions contemplated by, this ordinance. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified.

SECTION 18. Severability. If any provision in this ordinance is declared by any court of competent jurisdiction to be contrary to law, then such provision shall be null and void and shall be deemed separable from the remaining provisions of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds.

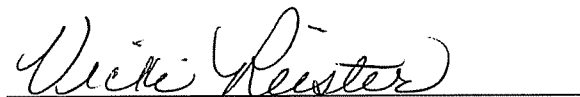
SECTION 19. Effective Date. This ordinance shall be effective five days after its publication as provided by law.

PASSED by the City Council of the City of Wenatchee, Washington, at a meeting this 8th day of November, 2007.

CITY OF WENATCHEE, WASHINGTON


Mayor

ATTEST:


City Clerk

APPROVED AS TO FORM:

City Attorney

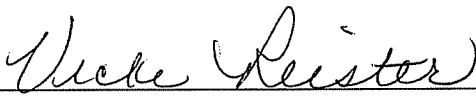
CERTIFICATE

I, the undersigned, Clerk of the City of Wenatchee, Washington (the "City") and keeper of the records of the City Council of the City (the "Council"), DO HEREBY CERTIFY:

1. That the attached ordinance is a true and correct copy of Ordinance No. 2007-42 of the City (the "Ordinance"), as finally passed at a meeting of the City Council of the City held on November 8, 2007 and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a quorum of the Council was present throughout the meeting and a legally sufficient number of members of the City Council voted in the proper manner for the passage of said Ordinance; that all other requirements and proceedings incident to the proper adoption or passage of said Ordinance have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

DATED this 8th day of November, 2007.



City Clerk